

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name WELLS	County MARQUETTE
Audit Date MARCH 31, 2004	Opinion Date JUNE 28, 2004	Date Accountant Report Submitted to State: OCTOBER 15, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Accounting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) SCHNEDIER, LARCHE, HAPPALA & CO., PLLC			
Street Address 401 LUDINGTON STREET		City ESCANABA	State MI
Accountant Signature <i>Schneider Larche Happala Company PLLC</i>		ZIP 49829	Date 10/15/05

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March 31, 2004

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March 31, 2004

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*Schneider, Larche,  
Haapala & Co., PLLC*

**CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS**

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Karen L. Meiers, C.P.A., P.C.

June 28, 2004

Township Board  
Township of Wells  
Marquette County, Michigan

INDEPENDENT AUDITORS' REPORT

We have audited the general purpose financial statements of the Township of Wells, Michigan and the combining and individual fund financial statements of the Township as of and for the year ended March 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of the Township of Wells, Michigan, as of March 31, 2004, and the revenue collected and expenditures paid during the year then ended, on the basis of accounting described in Note 1. Also, in our opinion, the combining and individual fund financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of each of the individual funds of the Township of Wells, Michigan, as of March 31, 2004, and the revenue collected and expenditures paid during the year then ended, on the basis of accounting described in Note 1.

*Schneider Larche Haapala Company PLLC*  
Certified Public Accountants



**COMBINED FINANCIAL STATEMENTS**  
**(GENERAL PURPOSE FINANCIAL STATEMENTS)**

## TOWNSHIP OF WELLS

**COMBINED STATEMENT OF ASSETS AND LIABILITIES ARISING  
FROM CASH TRANSACTIONS - ALL FUND TYPES**

March 31, 2004

	Governmental		Fiduciary Fund Type Trust and Agency	Account Group General Fixed Assets	Total (Memorandum Only)
	General Fund	Special Revenue			
ASSETS					
Cash	\$ 222,283	\$ 746,944	\$ 460	\$ -	\$ 969,687
Due from other funds	325	-	-	-	325
Property and equipment	-	-	-	609,971	609,971
TOTAL ASSETS	\$ 222,608	\$ 746,944	\$ 460	\$ 609,971	\$ 1,579,983
LIABILITIES AND FUND EQUITY					
Liabilities:					
Due to other funds	\$ -	\$ -	\$ 325	\$ -	\$ 325
Due to other governmental entities	-	-	135	-	135
TOTAL LIABILITIES	\$ -	\$ -	\$ 460	\$ -	\$ 460
Fund Equity:					
Investment in general fixed assets	-	-	-	609,971	609,971
Fund balance	\$ 222,608	\$ 746,944	-	-	\$ 969,552
TOTAL FUND EQUITY	\$ 222,608	\$ 746,944	\$ -	\$ 609,971	\$ 1,579,523
TOTAL LIABILITIES AND FUND EQUITY	\$ 222,608	\$ 746,944	\$ 460	\$ 609,971	\$ 1,579,983

See notes to general purpose financial statements.

## TOWNSHIP OF WELLS

**COMBINED STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID  
AND CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES**

For the year ended March 31, 2004

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General Fund</u>	<u>Special Revenue</u>	
Revenues Received:			
Taxes	\$ 98,033	\$ 75,278	\$ 173,311
State grants	21,736	14	21,750
Interest and rentals	2,392	12,749	15,141
Other	<u>1,590</u>	<u>-</u>	<u>1,590</u>
	\$ <u>123,751</u>	\$ <u>88,041</u>	\$ <u>211,792</u>
Expenditures Paid:			
Legislative	\$ 2,369	\$ -	\$ 2,369
General government	55,853	-	55,853
Public safety	16,077	902	16,979
Public works	9,666	2,319	11,985
Recreation and culture	19,542	-	19,542
Other	<u>11,524</u>	<u>-</u>	<u>11,524</u>
	\$ <u>115,031</u>	\$ <u>3,221</u>	\$ <u>118,252</u>
Excess of Revenues Received Over (Under) Expenditures Paid	\$ 8,720	\$ 84,820	\$ 93,540
FUND BALANCE, APRIL 1	<u>213,888</u>	<u>662,124</u>	<u>876,012</u>
FUND BALANCE, MARCH 31	\$ <u><u>222,608</u></u>	\$ <u><u>746,944</u></u>	\$ <u><u>969,552</u></u>

See notes to general purpose financial statements.

**EXHIBIT III**

**TOWNSHIP OF WELLS**

**COMBINED STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES**

For the year ended March 31, 2004

	General Fund			Special Revenue		
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)
Revenues Received:						
Taxes	\$ 109,000	\$ 98,033	(\$ 10,967)	\$ 85,500	\$ 75,278	(\$ 10,222)
State grants	23,000	21,736	( 1,264)	1,000	14	( 986)
Interest and rentals	3,000	2,392	( 608)	18,000	12,749	( 5,251)
Other	<u>23,450</u>	<u>1,590</u>	<u>( 21,860)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	\$ <u>158,450</u>	\$ <u>123,751</u>	(\$ <u>34,699</u> )	\$ <u>104,500</u>	\$ <u>88,041</u>	(\$ <u>16,459</u> )
Expenditures Paid:						
Legislative	\$ 5,550	\$ 2,369	\$ 3,181	\$ -	\$ -	\$ -
General government	75,700	55,853	19,847	-	-	-
Public safety	21,800	16,077	5,723	1,300	902	398
Public works	14,500	9,666	4,834	140,000	2,319	137,681
Recreation and cultural	81,000	19,542	61,458	-	-	-
Other	<u>73,934</u>	<u>11,524</u>	<u>62,410</u>	<u>-</u>	<u>-</u>	<u>-</u>
	\$ <u>272,484</u>	\$ <u>115,031</u>	\$ <u>157,453</u>	\$ <u>141,300</u>	\$ <u>3,221</u>	\$ <u>138,079</u>
Excess of Revenues Received Over (Under) Expenditures Paid	(\$ 114,034)	\$ 8,720	\$ 122,754	(\$ 36,800)	\$ 84,820	\$ 121,620
FUND BALANCE, APRIL 1	<u>213,888</u>	<u>213,888</u>	<u>-</u>	<u>662,124</u>	<u>662,124</u>	<u>-</u>
FUND BALANCE, MARCH 31	\$ <u>99,854</u>	\$ <u>222,608</u>	\$ <u>122,754</u>	\$ <u>625,324</u>	\$ <u>746,944</u>	\$ <u>121,620</u>

See notes to general purpose financial statements.



# TOWNSHIP OF WELLS

## NOTES TO FINANCIAL STATEMENTS

March 31, 2004

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation - The major focus of a governmental accounting and reporting system is to show adherence to applicable legal provisions, and to determine fairly and with full disclosure the financial position and results of financial operations of each accounting entity within a governmental unit.

In accordance with the above criteria, the accounts of the Township are organized on the basis of individual funds or account groups, each of which is considered a separate accounting entity. Each fund is accounted for with a separate, self-balancing set of accounts that comprise its assets, liabilities, equity, revenues and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two broad fund categories and three generic fund types as follows:

#### Governmental Funds:

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources and transactions not properly or legally accounted for in another of the Township's funds.

Special Revenue Funds - The Township's special revenue funds are used to account for proceeds of specific revenue sources or to finance specified activities as required by law or administration regulations. The special revenue funds maintained by the Township are the Liquor Law Enforcement Fund and the Road Fund.

#### Fiduciary Funds:

Trust and Agency Funds - The Township's trust and agency fund is used to account for assets held by the Township as trustee or agent for individuals, private organizations and other governmental units. The only trust and agency fund maintained by the Township is the Current Tax Collection Fund.

Basis of Accounting - The cash basis of accounting is used by all of the Township's funds. Under the cash basis of accounting, revenues are recognized as received and expenditures are recognized as paid. Accordingly, the financial statements do not reflect assets arising from revenues earned but not yet collected, or liabilities from expenditures incurred but not yet paid.

Budgets - The Township prepares annual budgets under the cash basis of accounting.

**TOWNSHIP OF WELLS**

**NOTES TO FINANCIAL STATEMENTS**

March 31, 2004

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Balance - Fund balances represent the amount of spendable resources in each fund as of the balance sheet date.

Reporting Entity - The Township's policy is to include in their financial statements the financial position and activity of all entities or organizations over which they exercise direct or significant control. Significant control is measured principally by the Township's ability to determine the composition of the governing board of an organization, and by the amount of their fiscal and administrative policy oversight responsibilities. The Township does not have any component units for reporting purposes.

**NOTE 2 - CASH DEPOSITS**

Cash deposits are recorded at cost. All Township cash deposits are held in federally insured institutions located in the State of Michigan.

Cash balances as of March 31, 2004 consisted of the following:

Noninterest bearing demand deposits	\$ 747
Interest bearing demand deposits	460
Certificates of deposit	590,238
Savings account	<u>378,242</u>
	\$ <u>969,687</u>

Actual bank balances as of March 31, 2004 totaled \$982,207. Approximately \$860,143 of the cash deposits are not insured by the Federal Deposit Insurance Corporation.

**TOWNSHIP OF WELLS**

**NOTES TO FINANCIAL STATEMENTS**

March 31, 2004

**NOTE 3 - GENERAL FIXED ASSETS**

The following details general fixed assets as of March 31, 2004:

<u>Activity</u>	<u>Land and Buildings</u>	<u>Equipment</u>	<u>Total</u>
General government	\$ 90,000	\$ 20,000	\$ 110,000
Fire services	97,000	283,000	380,000
Recreation	<u>114,000</u>	<u>5,971</u>	<u>119,971</u>
	\$ <u>301,000</u>	\$ <u>308,971</u>	\$ <u>609,971</u>

The following summarizes changes in general fixed assets for the year ended March 31, 2004:

<u>Activity</u>	<u>Land and Buildings</u>	<u>Equipment</u>	<u>Total</u>
Balance, April 1, 2003	\$ 301,000	\$ 303,000	\$ 604,000
Additions	-	5,971	5,971
Dispositions	<u>-</u>	<u>-</u>	<u>-</u>
BALANCE, MARCH 31, 2004	\$ <u>301,000</u>	\$ <u>308,971</u>	\$ <u>609,971</u>

**NOTE 4 - GENERAL LONG-TERM DEBT**

As of March 31, 2004 the Township has no outstanding general long-term debt.

**NOTE 5 - MEMORANDUM TOTALS**

The total column on the Combined Statements is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with the cash basis of accounting. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

# TOWNSHIP OF WELLS

## NOTES TO FINANCIAL STATEMENTS

March 31, 2004

### **NOTE 6 - PROPERTY TAXES**

The Township's annual property tax on real and personal property within the Township is levied on December 1, and is based on assessed valuation of property as of the preceding December 31. Assessed valuation, which is required by law to be 50% of current market value, is established by the Township and is subject to possible equalization by the State.

In addition to collecting their taxes, the Township also acts as collection agent for all overlapping governments in the Township. The Township's portion of the tax is collected between December 1 and February 28. Unpaid taxes as of February 28 are considered delinquent. Delinquent real property taxes are subsequently turned over to the County Treasurer for collection. The County maintains a tax revolving fund which permits the County to pay the Township 100% of the delinquent real taxes within approximately two to three months after the delivery of the delinquent bills.

The Township recognizes taxes as revenue when received. Accordingly, no receivables for delinquent property taxes are reflected in the financial statements.

### **NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES**

The following summarizes interfund receivables and payables as of March 31, 2004.

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
General	\$ <u>325</u>	Current Tax	\$ <u>325</u>

### **NOTE 8 - RISK MANAGEMENT**

The Township is exposed to various risk of loss related to torts, theft, accident, errors, omissions, injury and disaster. The Township's principal resource used to manage these risks is through the purchase of commercial insurance policies.

**COMBINING FINANCIAL STATEMENTS**

## TOWNSHIP OF WELLS

COMBINING STATEMENT OF ASSETS AND LIABILITIES  
ARISING FROM CASH TRANSACTIONS - ALL SPECIAL REVENUE FUNDS

March 31, 2004

	Liquor Law <u>Enforcement</u>	<u>Road</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ <u>747</u>	\$ <u>746,197</u>	\$ <u>746,944</u>
	\$ <u><u>747</u></u>	\$ <u><u>746,197</u></u>	\$ <u><u>746,944</u></u>
<u>FUND EQUITY</u>			
Fund balance	\$ <u>747</u>	\$ <u>746,197</u>	\$ <u>746,944</u>
	\$ <u><u>747</u></u>	\$ <u><u>746,197</u></u>	\$ <u><u>746,944</u></u>

**TOWNSHIP OF WELLS****COMBINING STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID  
AND CHANGES IN FUND BALANCE - ALL SPECIAL REVENUE FUNDS**

For the year ended March 31, 2004

	<u>Liquor Law Enforcement</u>	<u>Road</u>	<u>Total</u>
Revenues Received:			
Taxes	-	75,278	75,278
State grant	\$ 14	\$ -	\$ 14
Interest	<u>-</u>	<u>12,749</u>	<u>12,749</u>
	\$ <u>14</u>	\$ <u>88,027</u>	\$ <u>88,041</u>
Expenditures Paid:			
Public safety	\$ 902	\$ -	\$ 902
Public works	<u>-</u>	<u>2,319</u>	<u>2,319</u>
	\$ <u>902</u>	\$ <u>2,319</u>	\$ <u>3,221</u>
EXCESS REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID	(\$ 888)	\$ 85,708	\$ 84,820
FUND BALANCE, APRIL 1	<u>1,635</u>	<u>660,489</u>	<u>662,124</u>
FUND BALANCE, MARCH 31	\$ <u><u>747</u></u>	\$ <u><u>746,197</u></u>	\$ <u><u>746,944</u></u>

## TOWNSHIP OF WELLS

**COMBINING STATEMENT OF ASSETS AND LIABILITIES**  
**ARISING FROM CASH TRANSACTION - ALL TRUST AND AGENCY FUNDS**

March 31, 2004

	<u>Trust and</u> <u>Agency</u>	<u>Current</u> <u>Tax</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash	\$ <u>13</u>	\$ <u>447</u>	\$ <u>460</u>
TOTAL ASSETS	\$ <u><u>13</u></u>	\$ <u><u>447</u></u>	\$ <u><u>460</u></u>
<b><u>LIABILITIES</u></b>			
Liabilities:			
Due to other funds	\$ <u>13</u>	\$ <u>312</u>	\$ <u>325</u>
Due to other governmental units	<u>-</u>	<u>135</u>	<u>135</u>
TOTAL LIABILITIES	\$ <u><u>13</u></u>	\$ <u><u>447</u></u>	\$ <u><u>460</u></u>



## TOWNSHIP OF WELLS

**COMBINING STATEMENT OF CHANGES IN CASH AND LIABILITY**  
**BALANCES - ALL AGENCY FUNDS**

For the year ended March 31, 2004

	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance</u>
<b><u>CURRENT TAX</u></b>				
Assets:				
Cash	\$ <u>699</u>	\$ <u>823,701</u>	\$ <u>823,953</u>	\$ <u>447</u>
	\$ <u>699</u>	\$ <u>823,701</u>	\$ <u>823,953</u>	\$ <u>447</u>
Liabilities:				
Due to other funds	\$ 699	\$ 144,472	\$ 144,859	\$ 312
Due to other governmental units	-	677,887	677,752	135
Refunds payable	<u>-</u>	<u>1,342</u>	<u>1,342</u>	<u>-</u>
	\$ <u>699</u>	\$ <u>823,701</u>	\$ <u>823,953</u>	\$ <u>447</u>
<b><u>TRUST AND AGENCY</u></b>				
Assets:				
Cash	\$ <u>13</u>	\$ <u>3,080</u>	\$ <u>3,080</u>	\$ <u>13</u>
	\$ <u>13</u>	\$ <u>3,080</u>	\$ <u>3,080</u>	\$ <u>13</u>
Liabilities:				
Due to other funds	\$ 13	\$ 629	\$ 629	\$ 13
Due to other governmental units	<u>-</u>	<u>2,451</u>	<u>2,451</u>	<u>-</u>
	\$ <u>13</u>	\$ <u>3,080</u>	\$ <u>3,080</u>	\$ <u>13</u>
<b><u>TOTALS</u></b>				
Assets:				
Cash	\$ <u>712</u>	\$ <u>826,781</u>	\$ <u>827,033</u>	\$ <u>460</u>
	\$ <u><u>712</u></u>	\$ <u><u>826,781</u></u>	\$ <u><u>827,033</u></u>	\$ <u><u>460</u></u>
Liabilities:				
Due to other funds	\$ 712	\$ 145,101	\$ 145,488	\$ 325
Due to other governmental units	-	680,338	680,203	135
Refunds payable	<u>-</u>	<u>1,342</u>	<u>1,342</u>	<u>-</u>
	\$ <u><u>712</u></u>	\$ <u><u>826,781</u></u>	\$ <u><u>827,033</u></u>	\$ <u><u>460</u></u>

**INDIVIDUAL FUND FINANCIAL STATEMENTS**

**TOWNSHIP OF WELLS****GENERAL FUND****STATEMENT OF BUDGETED AND ACTUAL REVENUES RECEIVED**

For the year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
Taxes:			
Current property taxes	\$ 70,500	\$ 63,670	(\$ 6,830)
Delinquent taxes, penalties and interest	3,000	2,173	( 827)
Property tax administrative fee	11,000	10,655	( 345)
Commercial forest	10,000	7,166	( 2,834)
Swamp taxes	14,500	14,369	( 131)
State Grants:			
Revenue sharing	23,000	21,736	( 1,264)
Interest and Rentals:			
Interest income	2,500	1,572	( 928)
Rental income	500	820	320
Other:			
Miscellaneous	<u>23,450</u>	<u>1,590</u>	( <u>21,860</u> )
	\$ <u>158,450</u>	\$ <u>123,751</u>	(\$ <u>34,699</u> )

**TOWNSHIP OF WELLS**

**GENERAL FUND**  
**STATEMENT OF BUDGETED AND ACTUAL**  
**EXPENDITURES PAID - BY ACTIVITY**

For the year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
Legislative:			
Township Board	\$ 5,550	\$ 2,369	\$ 3,181
General Government:			
Township Supervisor	5,000	4,753	247
Township Clerk	5,600	5,445	155
Township Treasurer	6,630	6,526	104
Township hall	21,170	16,616	4,554
Auditing and accounting	5,000	2,225	2,775
Board of review	800	667	133
Cemetery	8,500	138	8,362
Assessor/tax roll preparation	20,000	17,768	2,232
Planning/zoning	3,000	1,715	1,285
Public Safety:			
Fire protection	14,500	14,384	116
Emergency services	7,300	1,693	5,607
Public Works:			
Street lighting	1,500	1,367	133
Trash collection/landfill	13,000	8,299	4,701
Recreation and Cultural:			
Recreation	81,000	19,542	61,458
Other:			
Insurance	8,500	8,252	248
Miscellaneous	61,434	-	61,434
Payroll taxes	<u>4,000</u>	<u>3,272</u>	<u>728</u>
	\$ <u>272,484</u>	\$ <u>115,031</u>	\$ <u>157,453</u>

## TOWNSHIP OF WELLS

LIQUOR LAW ENFORCEMENT FUND  
STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
Revenues Received:			
State grants	\$ <u>1,000</u>	\$ <u>14</u>	(\$ <u>986</u> )
	\$ <u>1,000</u>	\$ <u>14</u>	(\$ <u>986</u> )
Expenditures Paid:			
Law enforcement	\$ <u>1,300</u>	\$ <u>902</u>	\$ <u>398</u>
	\$ <u>1,300</u>	\$ <u>902</u>	\$ <u>398</u>
Excess of Revenues Received Over (Under) Expenditures Paid	(\$ <u>300</u> )	(\$ <u>888</u> )	(\$ <u>588</u> )
FUND BALANCE, APRIL 1	<u>1,635</u>	<u>1,635</u>	<u>-</u>
FUND BALANCE, MARCH 31	\$ <u><u>1,335</u></u>	\$ <u><u>747</u></u>	(\$ <u><u>588</u></u> )

## TOWNSHIP OF WELLS

ROAD FUNDSTATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues Received:			
Current taxes	\$ 72,500	\$ 65,635	(\$ 6,865)
Delinquent taxes	3,000	2,244	( 756)
Commercial forest	10,000	7,399	( 2,601)
Interest	<u>18,000</u>	<u>12,749</u>	( <u>5,251</u> )
	\$ <u>103,500</u>	\$ <u>88,027</u>	(\$ <u>15,473</u> )
Expenditures Paid:			
Road maintenance	\$ 128,500	\$ -	\$ 128,500
Dust control	5,000	1,719	3,281
Other	<u>6,500</u>	<u>600</u>	<u>5,900</u>
	\$ <u>140,000</u>	\$ <u>2,319</u>	\$ <u>137,681</u>
Excess of Revenues Received Over (Under) Expenditures Paid	(\$ 36,500)	\$ 85,708	\$ 122,208
FUND BALANCE, APRIL 1	<u>660,489</u>	<u>660,489</u>	<u>-</u>
FUND BALANCE, MARCH 31	\$ <u><u>623,989</u></u>	\$ <u><u>746,197</u></u>	\$ <u><u>122,208</u></u>

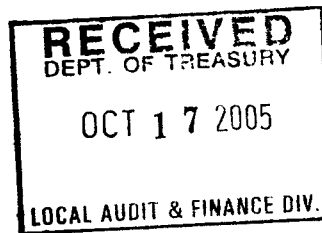


*Schneider, Larche,  
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**CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS**

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June 28, 2004



Township Board  
Township of Wells  
Marquette, County, Michigan

In planning and performing our audit of the financial statements of the Township of Wells for the year ended March 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgement, could adversely affect the Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Reportable conditions must be determined solely by considering the Township's internal control and whether it is functioning as designed. Other factors related to the Township's financial reporting system including, but not limited to, integrity of Board members and employees, prior experience of those individuals involved in the financial reporting process and the lack of errors or improprieties in the current and prior audits have a positive effect on the audit process but cannot be considered when determining if reportable conditions exist.

Small organizations, by their very nature, generally lack adequate internal control due to the fact that incompatible duties generally cannot be adequately segregated without additional allocation of responsibilities or additional cost. In addition, the effectiveness of internal control is affected by the timeliness of control procedures, which small organizations with part-time officers and employees often have difficulty in performing. Cost and risk factors must also be considered when determining what constitutes an appropriate level of internal control.

## **REPORTABLE CONDITIONS**

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions, however, we noted the following matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accounts.

### **Segregation of Duties: Cash Receipts**

The Township Treasurer is responsible for receiving and depositing cash receipts, reconciling the bank accounts and has control over all bank and certificate accounts. Giving one individual both custodial and recording-keeping responsibilities for the same asset creates a significant control weakness. Consideration should be given to allocating some of these responsibilities to another Township official to minimize internal control risk.

### **Segregation of Duties: Current Tax Collection**

The Township Treasurer currently has sole responsibility for the collection, deposit, disbursement and bank account reconciliation over the current tax collection. Giving one individual both custodial and record-keeping responsibilities for the same asset creates a significant control risk. Consideration should be given to allocating some of these responsibilities to another Township official to minimize internal control risk.

## **OTHER MATTERS**

In addition to the reportable conditions noted above, we noted certain other matters discussed below.

### **Timely Deposit of Cash Received**

Our procedures disclosed two instances where expected cash receipts were not timely deposited. We understand that the rural location of the Township makes it difficult to make deposits on a daily basis, however, care needs to be exercised to ensure that all receipts are deposited on a regular basis.

The Township's August, 2003 state revenue sharing distribution was not deposited until April, 2004, due to the misplacement of the check by Township officials. Discussions with the State indicated that the check was first presented for payment in April, 2004.



In addition, the August, 2003 returnable license fee distribution from the State for \$907.50 was not deposited into the Township accounts. Discussions with the State indicated that this check has not been presented for payment. The Township has previously contacted the State regarding the nonreceipt of this payment. We recommend that the Township follow-up on these prior discussions so that the returnable fees disbursement can be re-issued.

This report is intended solely for the information and use of the Wells Township Board and officers and is not intended to be and should not be used by anyone other than these specified parties.

*Schneider Zinke Haapala Company PLLC*  
Certified Public Accountants